Irish Life

CORPORATE SHAREHOLDER PROTECTION
How is the arrangement taxed?

Taxation of Plan Benefits

Capital Gains Tax (CGT)

- CGT will **NOT** apply.
- The proceeds of a company owned plan, paid out on death or disablement, are **EXEMPT** from Capital Gains Tax. **So no tax liability arises for the company**.

Corporation Tax

- If the plan is part of a corporate shareholder protection arrangement the proceeds are likely to be treated as a capital receipt for the company and thus **NOT** subject to Corporation Tax.

Taxation of Premium

Tax Deductible

- No. The premiums are **NOT** admissible deductions for Corporation Tax.

Sale of the shares by the deceased's personal representatives

Inheritance Tax (CAT)

- The value received for the deceased shareholders share in the business could give rise to an inheritance tax liability for the deceased's family. As they are selling the share in the business 'Business Relief' from CAT **will not** apply.

PENSIONS
INVESTMENTS
LIFE INSURANCE

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Sale of the shares by the deceased's personal representatives

Capital Gains Tax (CGT)

Where a company buy's back its own shares, any excess paid by the company over the original investment, is treated as a 'distribution' rather than a capital gain.

This means that, where a company is buying its own shares, the seller would be liable to income tax on the gross amount of the 'distribution'. This would make the buy back of shares by the company very unattractive to sellers.

However, if certain conditions are met, the sale of shares back to the company can be treated as a 'disposal'. This means CGT treatment will apply to the sale and not income tax.

Everyone who is part of the arrangement must be satisfied that the sale of the shares by a deceased shareholder's estate back to the company, will qualify for CGT treatment by ensuring that they meet all the conditions. (See link to CGT Treatment conditions)

If CGT treatment applies, then any CGT liability would only arise on any increase in value of the shares from the date of death to the date of sale. As this period is unlikely to be more than a few months, as set out in the Legal Agreement, a CGT liability is likely to be small.

We advise that your client seeks professional tax and legal advice as the information given is a guideline only and does not take into account your client's particular circumstances.